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September 24, 1990

Mr. Robert Trachtenberg
Deputy Administrator
Alcohol, Drug Abuse,
and Mental Health Administration
5600 Fishers Lane
Rockville, Maryland 20857

RE: Oxford House, Inc. Proposal Submitted by Paul Malloy in Response to RFP OTI-90-0002

Dear Mr. Trachtenberg,

Last August 22 I wrote you a brief note objecting to an Oxford House, Inc. proposal (responding to RFP OTI-90-0002) to the NIAAA. In that note I briefly outlined some of the peculiar history of that proposal.

I was stunned yesterday to be told by Ed Kostolanksy, the OTI contract specialist, that the proposal had been ruled legitimate. I can only conclude that the NIAAA didn't have all the facts. The purpose of this letter is to give you a few details of the background of that proposal.

First a note on my background. I helped start the first Oxford House, was first president of that house, helped start the second Oxford House and was its first president, and was the first chairman of Oxford House from 1975 until 1980. I have been connected with Oxford House during all its expansion until last October and have been to every meeting of significance since its inception. The recent expansion was my idea. I have been an occasional consultant to the NIAAA on transitional housing for alcoholics. I mention this so you will know I understand the organization, its goals and how it got where it is.

I want to begin with the most blatant deficiencies of the Oxford House proposal of July 13, 1990.

1. The proposal was submitted by Paul Molloy who listed himself as chief executive officer. He had never been elected chief executive officer or any other officer of the corporation. In fact, on July 5 the Board of Directors of Oxford House informed him by registered letter that he could no longer act as corporate attorney. He had no connection with the corporation.

2. The Board of Directors on July 13, 1990, had not approved the proposal because they had never seen the proposal.

The sum up, the proposal was submitted on July 13, 1990, by Paul Molloy who claimed he was "chief executive officer," who in fact had no official connection to the corporation, and the Board of Directors was totally unaware of the existence of the proposal. It may have been a Paul Molloy proposal, but it was not an Oxford House proposal.

If there is any doubt in your mind that the above is accurate (or anything else in this letter), please call and I will clarify it, elaborate or produce documentation.

A little background may be useful for you.

The question of Molloy's status with the corporation became an issue shortly after passage of

the Anti-Drug Abuse Act of 1988, which contained the Recovery House amendment that had states set aside $100,000 each to start houses based on the Oxford House model. It was his association with Rep. Ed Madigan (R-Ill.) that was responsible for passage of the amendment and Molloy evidently felt his political links were sufficient for him to be paid more than the Secretary of the Department of Health and Human Services and the members of Congress who voted for the act, and for him ti ignore the policiet that apply to 501(c)(3) tax-exempt organizations.

Early in 1989 Molloy wrote an unsolicited proposal for ADAHMA which unsettled me for two reasons: He assigned himself a salary of $120,000 and fringe benefits that would have increased it to $168,000 (See attached draft. He also assigned me a salary of $120,000), and he, on paper, appointed himself chief executive officer. I couldn't dissuade him from either the salary figures (he found a way to lump them together in the final proposal) or calling himself CEO. It proved academic since ADAMHA paid scant attention to the proposal.

Molloy assumed control of the corporation and its assets and began raising and spending money without knowledge or approval of the governing body of the corporation. I felt this was a clear violation of rules governing 501 (c)(3) tax-exempt corporations and terrible policy.

I, along with Molloy, was on an interim board of directors at the time. Unfortunately I tried again and again to talk to him instead of acting through the board.

I finally insisted on a meeting of the interim board last October. The board was composed of three co-founders of Oxford House, one member we selected, and three members selected from Oxford House residents. At the meeting I and another board member strongly objected to a self-appointed CEO and the way the corporation was being run without checks and balances. However, the outcome of a vote was dubious since Molloy had hired two of the board members who lived in the houses (he was later to hire the third when she became a member of a permanent board) and they, of course, backed Molloy, and one member was missing. The matter was dropped when Molloy said he would work out an employment arrangement with the new board. He never did.

I mention these events since Molloy has asserted that he never was elected a corporate officer because he was too busy opening Oxford Houses to bother with it. It had been a major issue for a year and one-half.

I found trying to work with Molloy impossible and began doing something else last October.

Control of the corporation about the first of 1990 shifted to a nine-member board of directors comprised, at Molloy's insistence, of people relatively new in sobriety and living in Oxford Houses.

In April or May this year that board contacted me because they couldn't get any information out of Molloy. When they wanted answers he refused to give them information and threatened to quit. They told me he stormed out of one meeting, saying if they could run Oxford House better than he could they could have it.

Board members were shocked to learn that Molloy had appointed himself chief executive officer and had assumed total control over the finances and management of the corporation without consulting anybody.

On July 5 they voted to mail Molloy two letters (copies enclosed), one telling him to produce financial data and the other revoking his authority to act as corporate attorney. They were sent by registered mail.

Molloy's response was to claim he never saw the letter and to file the $920,000 proposal with the NIAAA which, among other things, asserted that he was CEO of Oxford House, and would have Oxford House open three methadone houses, something antithetical to Oxford House principles. The board had never seen the proposal.

I find it difficult to believe that NIAAA personnel people can read these words and still find a legitimate proposal somewhere.

The events since the proposal was submitted have also been unusual.

On July 15, two days after the proposal was submitted, the board, along with a CPA and an attorney, met with Molloy. Under questioning, Molloy admitted he contracted with a number of states to open Oxford Houses without board approval and while claiming to be chief executive officer. He further said that if the states knew this, there would be problems. (It is doubtful that Molloy's organization would be able to deliver on its commitments under the proposal anyway since it may very well be trying to untangle contracts with states and foundations that were made by a non-officer of the corporation without the knowledge or approval of the board of directors).

The NIAAA proposal was mentioned by Molloy at the July 15 board meeting only in passing when he showed a copy around and said there would be a lot of money for trips and expenses if it were approved. The parts about methadone and prisoner houses only came to light because I leafed through the proposal and found an Oxford House director of methadone programs shown on an organizational chart.

The board of directors didn't learn about the methadone and prisoner houses until after the July 15 meeting. At the next board meeting in August, members all spoke against the methadone proposal, yet they seemed to want to postpone withdrawing it.

Molloy has paid special attention to the board members. At least three had been on trips with him. One board member who had been especially critical of Molloy's method of operations began to support him after she returned from an Oxford House trip with him to the Virgin Islands. One, and perhaps two board members were offered an opportunity to work for Oxford House and take trips while remaining on the payroll of their old employers.

When the board hesitated on taking action on withdrawing the proposal, I decided to raise the issue at a Town Meeting of Oxford House house presidents Aug. 21. All five members of the board of directors were there. There was a groundswell of anger that Molloy had gotten Oxford House in any way linked with houses for methadone addicts or prisoners. They voted 27-1 for withdrawal of the proposal. All five board members (the board had lost four members) either voted to withdraw the proposal or didn't vote at all.

Members of the Oxford House alumni association, at least seven of whom came to the Town Meeting, were outraged at the proposal.

The board of directors, I understand, has since sent a letter favoring the proposal, or at least parts of the proposal, an action directly opposite to the wishes of the Town Meeting group conscience.

I'm really not too sure what has happened in September because I was on vacation and the board of directors now meets in secret with Molloy.

The unusual events that took place before and after the proposal was submitted are enough to cause great queasiness about granting the proposal even if the NIAAA should determine that a legitimate proposal was submitted. But they really are irrelevant as to whether a legitimate proposal was submitted July 13.

To term the proposal legitimate would require a paragraph in procurement regulations something like:

"If a proposal is submitted by someone other than an officer of a corporation, claiming to be an officer of that corporation, and without the knowledge or approval of its governing board, the NIAAA can deem it a legitimate proposal at some time after the RFP deadline has passed, even if it violates the principles of the organization, so long as a majority of the board of directors can later be persuaded to back the proposal."

I don't think the NIAAA wants to get into a murky contracting situation like this. I hope, as does the Oxford House Alumni Association, that these additional facts will lay the proposal to rest.

If there are any questions about the accuracy or this letter or if you want additional facts,

please contact the Oxford House Alumni Association or feel free to contact me at home at (301) 933-6251.

I would like to mention one other aspect of the RFP that was troubling. The amounts that the NIAAA was willing to pay to have Oxford House open houses for methadone users and ex-prisoners were in some cases about 10 times more than Oxford House had been receiving for doing the same work in the states. For instance, Oxford House contracted to open three houses in Kansas City for $26,000 and at least two houses in South Carolina for $20,000. While later contracts have become somewhat more expensive, in no case do they approach the figures the NIAAA wants to pay.

Yours sincerely,

John V. O'Neill

cc: Rep. Edward R. Madigan
Rep. John Dingell
Frederick Goodwin, MD, NIAAA
Jay Lewis, Alcoholism Report
Ed Kostolansky, NIAAA
Beny Primm, MD, NIAAA
Peter Carlson, The Washington Post